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Communication Guidelines for an IPO

Shane Dolan, a Managing Director within FTI Consulting's Strategic Communications division in the Gulf highlights key considerations for businesses planning an Initial Public Offering (IPO).

In terms of context, the wider MENA market for IPOs is generally recovering on the back of an improving macro-economic backdrop, which has seen market valuations rise, driven by strengthening investor confidence. For example, during 2013, there were more than 20 listings in the MENA region raising an aggregate of $3 billion across the UAE, Saudi Arabia, Oman, Tunisia, Iraq and Morocco.

Industry commentators are predicting a robust regional market for IPOs during 2014 and beyond with successful home grown businesses considering a listing to access capital to support on-going growth.

For those companies considering an IPO, it represents a major milestone in a company's corporate life and provides the opportunity to generate significant awareness not only with investors but across the media both regionally as well as internationally.

There are significant upsides to such a prolific event but there is a major responsibility on the company to communicate in such a way which balances the promotion of its business with the regulatory environment in which it will operate.

The gatekeepers in this scenario are the company's management team, who should be custodians of all internal and external communications. The leak of confidential\sensitive information to the media during an IPO for example can prompt an investigation by the regulator which could lead to major repercussions. The fact that we live in the age of social media is all the more worrying as a crisis literally can be just moments away.

From a communications perspective, there are a number of guidelines, which companies should be mindful of as they embark upon an IPO.

1. To begin, I cannot stress this enough, no IPO related information should be divulged externally in advance of an official announcement. In tandem with this only agreed spokespeople should speak to the media and should be fully briefed on what can and cannot be said. This will ensure that all communications with the market is compliant, co-ordinated and controlled.

2. This discipline should be supported by a well-developed company narrative which explains the company's business, strategy and long term prospects to both potential investors as well as wider stakeholders. A company's communications adviser usually plays a key role here and should also have responsibility for the following work streams.

- IPO communications strategy & message development
- Drafting internal and external communication material for key stakeholders
- Creating investor-focused presentation slides and factsheets
- Preparing management for investor and media meetings
- Supporting wider marketing efforts to support pricing & share placement with investors
- Facilitating wider media interviews and profile opportunities
- Providing ongoing communication planning and support once shares begin trading

3. From a digital and online perspective, a company's website should be invested in as it should reflect the strength of its business and investment proposition as it will be the first port of call for investors, customers and suppliers. It should have clear information on the company's background, management team, operations, products and services as well as an IPO section which details pertinent information for investors and aligned audiences.

4. Once a company files for IPO, lawyers can often be conservative preferring businesses to have limited visibility outside of key announcements. Therefore, having a strong, well-managed public profile in advance of an IPO is beneficial and will support the overall awareness generated by the IPO media coverage. From a management perspective, high profile IPOs usually price higher in the range and trade higher on trading. Effective communication is therefore critical.

5. Once a company does 'go public' there are strict guidelines on how 'price sensitive' news, which can affect a share price is treated. For example, a company's employees should not have 'selective' access to such information before full disclosure to all shareholders. The penalties for this type of breach, especially if information is used to trade is severe and can include prison time. It is imperative therefore, that on listing, strict disclosure policies are circulated to all internal audiences to explain the rules and avoid any potential opportunities for insider trading.

6. Remember the IPO is just the beginning of the process. The 'after-market,' when shares begin to trade is as important as the IPO itself. Key to a company's success, as a listed business, will be its financial performance in addition to how its on-going performance is understood and perceived by both investors and the media. A communications strategy therefore should be agreed upon at the outset as a public company and adhered to in-order to provide the market with consistent news flow and market updates.

In terms of advice, central to a successful IPO is appointing a team of trusted advisers with a proven track record.
For management, the old adage remains true - 'It can take years to build a reputation and only minutes to ruin it!'

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